

DRAFT DIRECTIVE TRANSMITTAL
WORKFORCE INVESTMENT ACT

Number: WIADD-141

Date: April 20, 2007

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: PROGRAM INCOME

☒ **IMMEDIATE ACTION**

Bring this draft to the attention of the appropriate staff.

☒ **E-MAIL COPY TRANSMITTED**

Number of pages (including coversheet): 5

If there are any problems with this transmittal, please call the Pagemaster at 916/654-8008.

SUBJECT MATTER HIGHLIGHTS:

Please review and comment on the attached draft directive.

This draft directive supersedes WIA Directive WIAD01-6, dated September 12, 2001. The revisions to the previous directive are viewed as **highlighted text**. This draft directive provides new information on when program income must be spent and how to account for it. The "addition method" of accounting for program income has been changed to the "net income method".

COMMENTS ARE DUE BY:

5/11/07

Comments can be submitted through one of the following ways:

- 1) **Fax** — WSD, Attention: **Grey S. Rider III** at 916/654-9119
- 2) **E-Mail** — grider@edd.ca.gov (Include "draft comments" in the subject line)
- 3) **Mail** — WSD / P.O. Box 826880 / MIC 69 / Sacramento, CA 94280-0001

All comments received by the end of the comment period will be considered before the final directive is issued. However, we will not be able to individually respond to comments. **Comments received after the specified due date will not be considered.**

If you have any questions, contact your WSD Regional Advisor at (916) 654-7799.

DRAFT DIRECTIVE

WORKFORCE INVESTMENT ACT

Number:

Date:

69:136:me:10257

TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: PROGRAM INCOME

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance on the federal requirements regarding Workforce Investment Act (WIA) program income.

Scope:

This directive requires that all level of subrecipients expending WIA funds shall comply with federal laws and regulations regarding program income.

Effective Date:

This directive is effective upon release.

REFERENCES:

- WIA Section 195(7)
- Title 20 Code of Federal Regulations (CFR) Section 667.200(a)(5) through (8)
- Title 29 CFR Sections 95.2(bb), 95.22(k), 95.24, and 97.25
- Office of Management and Budget Circulars (OMB) A-102 and A-110
- One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG)—U.S. Department of Labor, July, 2002

STATE-IMPOSED REQUIREMENTS:

The one State-imposed requirement is shown in ***bold italic*** print.

FILING INSTRUCTIONS:

This directive supersedes WIA Directive WIAD01-6, dated September 12, 2001. Retain this directive until further notice.

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Special requests for services, aids, and/or special formats need to be made by calling (916) 654-8055 (Voice) or (916) 654-9820 (TTY).

BACKGROUND:

Program income requirements for institutions of higher education, hospitals, and other non-profit organizations are found in 29 CFR 95.24 and requirements for state and local governments are in 29 CFR 97.25. The WIA and its regulations, Title 20 CFR Part 652, et al, provide specific guidance regarding what constitutes program income. The WIA also contains requirements for program income in Section 195(7) and 20 CFR 667.200(a)(5) through (8).

POLICY AND PROCEDURES:

Definition:

Program income is defined as the “gross income received by the grantee or subgrantee directly generated by a grant-supported activity, or earned only as a result of the grant agreement during the grant period. . .”(29 CFR 97.25(b). Program income is similarly defined under 29 CFR 95.2(bb).

Program income under the WIA includes, but is not limited to:

- income from fees for services performed;
- the use or rental of personal property acquired with WIA funds;
- the sale of commodities or items fabricated under a WIA award;
- interest earned on funds received under the WIA; and
- any excess of revenue over costs incurred for services provided by a governmental or non-profit entity (WIA Section 195(A) and (B)).

Program income can be generated under 20 CFR 667.200(a)(8), which permits the use of local area services, facilities, or equipment funded under the WIA to provide employment and training activities to incumbent workers on a fee-for-service paid by their employers. This may only occur as long as eligible WIA participants are not using or would not use the facilities, services, or equipment.

Under the WIA, program income does not include:

- the receipt of rebates, credits, discounts, etc, or the interest earned on those funds; proceeds from the sale of property (which are handled in accordance with the requirements of the property standards);
- donations and contributions that are voluntarily given to the WIA-funded program;
- funds provided to satisfy the matching requirement of a WIA-funded program; and
- profits of commercial organizations.

Income earned after the grant period has ended is not considered program income.

Policy:

The federal rules (20 CFR 667.200(a)(5)) require all WIA entities to account for program income under the addition method. The addition method means the program income is added to the WIA award and is used to provide the same services as provided for under the original award agreement. The program income available to the subgrantee for program activities is not formally modified into the subgrant amount.

When the cost of generating the program income has been charged to the WIA program, the gross amount earned must be added to the WIA program. However, when the cost of generating the program income has not been charged to the WIA program, the net amount earned must be added to the WIA program.

Program income earned at the One-Stop center as a result of shared activities or shared costs is attributable to all partners participating in the cost or activity. The earning, allocation, and use of program income should be addressed in the Resource Sharing Agreement.

When using program income, the WIA requirements apply, with the exception of the administrative cost limitation. The applicable WIA requirements include:

- allowable cost guidelines;
- cost classification guidelines;
- inclusion of program income earnings and expenditures in the audit;
- rules on procurement and selection of service providers;
- participant records and other record-keeping requirement; and
- sanctions for misuse.

Although the program income can be accounted for as available until the income is actually used, any cash-on-hand from the program income must be liquidated before the subgrantee may request additional WIA cash for any purpose.

The subgrantee is required to report the earning (either gross or net) and expenditure of program income during the grant period. The subgrantee does not need to report program income earned after the grant period has ended. The subgrantee is not accountable for these funds and may retain them.

Federal policy requires the subgrantee to report program income expended after the grant period if the income was earned during the grant period. ***To simplify the implementation of this policy, the State requires that program income generated during the life of a specific allocation must be expended before the end of the availability or termination of that specific funding, or before the closeout is completed, whichever is last. Therefore, at the time of filing a closeout, any unexpended program income must be treated as a reduction in federal expenditures and the excess federal funds will be deobligated.***

ACTION:

Bring this directive to the attention of all affected staff and subrecipients.

INQUIRIES:

Please direct inquiries about this directive to your assigned [Regional Advisor](#) at (916) 654-7799.

BOB HERMSMEIER
Chief
Workforce Services Division

A

F

T